

HEARTLAND

MEMORANDUM

CITY OF SEATTLE

TO: Michael Mann, Deputy Director
CITY OF SEATTLE
Office of Policy and Management
600 Fourth Avenue, 6th Floor
Seattle, WA 98104-1854

COPY: File

FROM: Matt Anderson, Heartland
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DATE: March 29, 2005

RE: Streetcar Maintenance Facility Residual Development Capacity
Values

Engagement

Heartland has been engaged by the Office of Policy and Management to estimate the range of values that might be associated with the residual development capacity associated with the Streetcar Maintenance Facility currently being planned in South Lake Union. With only schematic facility layouts, this estimate of value should be considered preliminary and will require updating as more refined designs of the potential site configurations are available.

Site Requirements

Section 4.3 of the Seattle Streetcar Network and Feasibility Analysis dated June 30, 2004 defines the maintenance base requirements as follows:

The Maintenance Facility building could be a pre-manufactured steel building, modified for the specific requirements of the maintenance equipment. The building should be 100 feet by 70 feet with approximately 9,000 square feet of usable space. This includes 2,000 square feet of space located on top of the administrative and employee welfare space (restrooms, lockers, etc.).

The shop floor/work space would include two tracks, each 100 feet in length. Track #1 should be a flat track to be used for individual truck work or for roof-mounted component servicing. Portable truck stands could be utilized in this area when access is required under the trucks. Track #2 should be over a pit for the length of the vehicle, about 65 feet, and could be utilized for inspections, running-repairs, and roof-mounted component servicing. The tracks should be approximately 100 feet in length to leave extra space at the front and rear of the vehicle for truck repair on the corresponding apron. An

area of approximately 4,000 square feet, on two levels, should be provided for offices, employee welfare, and storage space.

The entire site dimensions, including the facilities building, the lay-up yard, parking, and required fire lane access should be approximately 200 feet by 160 feet (i.e., 32,000 square feet). The facility would be designed to accommodate up to 5 vehicles. Storage space for two additional vehicles would be required for the extension to the University of Washington.

Development Scenario

The site currently being considered for the Maintenance Facility is located at the corner of Fairview and Valley in South Lake Union. This site is currently zoned C2-40, but is subject to a text amendment that would allow a mixed-use development on the site to reach 65 feet in height. The Streetcar Feasibility Study anticipates the Maintenance Facility will be a stand-alone building on a lot of approximately 32,000 square feet; however, this use alone would significantly underutilize a well-located urban lot.

The following development scenarios are intended to illustrate how the Maintenance Facility could be integrated into a building on the site, capturing some of the remaining development capacity and some of the property's value. Currently there are three Maintenance Facility configurations being considered (see attached). Option 1 entitled "Angled Arrangement" uses the alley right-of-way on the west side of the site for ingress and egress and limits the Maintenance Facility to the northwest portion of the site. Options 2 and 3 bring trains straight in from the south significantly limiting the lot area available to build rentable space on the ground floor. While these different configurations may be significantly different from a facility construction and network standpoint, the impact on the sellable development capacity is limited to a reduction of rentable space on the ground floor.

Capacity Assumptions: For the residential development scenario (apartments or condominiums) we utilized a 10-foot floor-to-floor height resulting in 4 floors of residential space over the 25-foot ceiling height Streetcar Facility. The higher floor-to-floor requirements associated with office space (12 to 14 feet) would result in 3 floors of office. The assumed floor plates are equal to 75 percent of the lot area.¹ Efficiency ratios (gross to net) of 80 percent for residential and 85 percent for office were also incorporated into the analysis. The average unit size is 855 square feet. Office and residential space located on the ground floor represents lobbies, common areas (mailrooms, etc.), elevator shafts, etc.

Value Assumptions: For the purposes of this analysis, residential space is valued at approximately \$32,500 per unit and office space is valued at approximately \$35 per gross square foot. These are rule-of-thumb values that reflect this site's viability for both urban residential or high-tech office space. Recent speculation in and around South Lake Union has resulted in land transactions that would indicate a per unit purchase price in excess of \$40,000 per unit. The \$32,500 per unit estimate used in this analysis is conservative but, considering the unique and complex development

¹ This incorporates one aspect of the code changes currently being considered for mixed-use buildings in the C and NC zones.

opportunity being offered, we feel that this estimate is prudent. The ground floor retail space is supportive in nature and contributes only slightly to the value of the site for development.

Angled Arrangement (Option 1)

Floor Height	Floor No.	Streetcar Facility	Retail	Residential	Office (3 Flrs.)
0-25'	Floor 1	20,000	5,000	5,000	5,000
25'-65'	Floors 2-5/4	-		24,000	72,000
Totals		20,000	5,000	101,000	77,000
Total Units				95	
Component	Unit/Value		Value	Per GSF	
Residential	\$32,500 Per Unit		\$3,071,000	\$30.41	
Office	\$35 Per SF		\$2,695,000	\$35.00	
Retail	\$25 Per SF		\$125,000	\$25	
		Low	Med	High	
Res Gross Value Est.		\$2,960,000	\$3,196,000	\$3,425,000	
Off Gross Value Est.		\$2,435,000	\$2,820,000	\$3,205,000	

Tangent Arrangement (Options 2 and 3)

Floor Height	Floor No.	Streetcar Facility	Retail	Residential	Office (3 Flrs.)
0-25'	Floor 1	30,000	-	2,000	2,000
25'-65'	Floors 2-5/4	-		24,000	72,000
Totals		30,000	-	98,000	74,000
Total Units				92	
Component	Unit/Value		Value	Per GSF	
Residential	\$32,500 Per Unit		\$2,980,117	\$28.07	
Office	\$35 Per SF		\$2,590,000	\$35.00	
Retail	\$25 Per SF		\$-	\$-	
		Low	Med	High	
Res Gross Value Est.		\$2,751,000	\$2,980,117	\$3,209,000	
Off Gross Value Est.		\$2,200,000	\$2,590,000	\$2,960,000	

Value Conclusions

Comparable development sites in the north CBD market are generally selling for \$130 to \$170 per square foot of lot area with an average of approximately \$150. At 32,000 square feet, the Maintenance Facility site could be priced at approximately \$4.8 million. As shown in the tables above, with the streetcar Maintenance Facility

integrated into a 4- or 5-story building on the site, a residential developer could likely pay from \$2.7 to \$3.4 million for the development rights and an office developer could pay from \$2.2 to \$3.2 million. The strategic considerations below address some issues that could significantly modify this range of values.

Strategic Considerations

- *Who Builds What:* To get as close to the value range described above, components of cost would be specifically allocated so that all costs directly or indirectly associated with the streetcar would be paid for by the streetcar and only those costs typical of a mixed-use urban redevelopment would remain for the private partner. In soliciting for private development partners for such a project, the City will have complete designs for the Streetcar Facility and will be seeking either a "turnkey" project built by the private partner or the City will be offering a "pad" above the Streetcar Facility with subterranean parking already constructed below.
- *Extraordinary Costs:* The pricing units used in this analysis are based on market activity and rely on construction costs that are comparable to other sites. In addition to the cost assignment discussion above, there may be extraordinary construction costs (structural support for clear spans on the ground level, buffering for noise or safety, etc.) associated with building over the maintenance facility that would need to be deducted from the typical 'market' price for the development capacity.
- *Parking:* If parking cannot be accommodated below grade, either because of the space/structural requirements of the Streetcar Facility or because of issues associated with groundwater, then the parking will need to be integrated into adjacent development. While it is not inconceivable to sever parking from the primary use (office or residential) especially along a streetcar line in an urban neighborhood, such a configuration will be seen as a slight discount to the value of the development capacity above the Maintenance Facility.
- *Maintenance Facility Ceiling Height:* The values discussed above assume a ceiling height of 25-feet for the Streetcar Facility. While the designs for this facility preliminary in nature, an increase in the 25-foot ceiling height without a corresponding increase in the height allowed by the zoning would result in the loss of an entire floor or residential or office space and reduce the value of the development rights by 20 to 30 percent.
- *Mercer/Valley Expansion:* The value ranges in this memorandum are based on current market activity and do not account for the increase in value that might be associated with realignment of Mercer and Valley Streets to be more pedestrian friendly or water oriented.
- *Value:* The complex ground level uses and parking configurations that a developer would encounter with this site suggests that the value of the development rights would be higher to the adjacent landowner than a developer working on the subject property alone. By integrating some uses

into an adjacent development, the developer would likely gain the flexibility to mitigate higher cost options.

- *Next Steps:* As more detail is available about design options for the Streetcar Facility, and Mercer/Valley alignments are known, the City should engage an architect to work with the Streetcar designers on an integrated mixed-use building for the site. As design work progresses the City will want to identify any extraordinary costs associated with this unique building and continually compare them to the evolving market value of residential and office space in South Lake Union.

MCA/dms